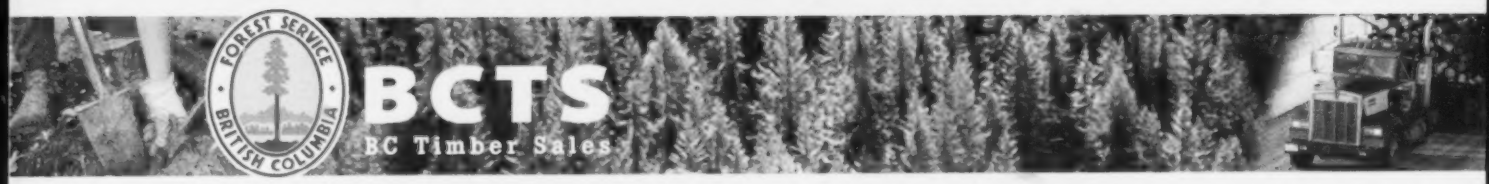

BUSINESS PLAN

2010/11 – 2012/13

All Business Areas Certified

ISO 14001
REGISTERED
KPMG

SAFE
CERTIFIED

BRITISH
COLUMBIA
The Best Place on Earth

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ORGANIZATIONAL OVERVIEW

BC Timber Sales is an autonomous program within the Ministry of Forests, Mines and Lands, with financial and operational independence. BC Timber Sales has an integral role in the implementation of government's Forestry Revitalization Plan and supports the Ministry's goal of providing British Columbians with revenue opportunities from forest resources.

BC Timber Sales provides these benefits by planning and developing, and selling through auction, a substantial and representative portion of the province's annual available timber volume. The bid prices received from auctioned timber drive the Market Pricing System (MPS) for setting stumpage in coastal and interior operating areas of the province. BC Timber Sales costs of developing timber and regenerating sites also provide data for the Tenure Obligation Adjustment, contributing another integral part of the MPS.

Despite its operational and financial independence, BC Timber Sales remains a proud part of the Forest Service and maintains mutually productive and beneficial relations with all other parts of the Ministry of Forests, Mines and Lands and with the Ministry of Natural Resource Operations.

Vision:

To be an effective timber marketer generating wealth through sustainable resource management.

Our vision means that we:

- Believe unsafe is unacceptable;
- Are respected managers of public forests;
- Have engaged, skilled, motivated, proud employees;
- Have a relentless focus on results;
- Continually learn and seek efficient, effective and innovative business practices; and
- Are an integral part of British Columbia's economy providing value to our customers, stakeholders and the province.

Mission:

To market Crown timber to establish market price and capture the value of the asset for the public.

In the pursuit of our mission, and in addition to government's core values of courage, teamwork, passion, accountability, service and curiosity, we value:

- Safety.
- Our people.
- Forest stewardship.
- Effective relationships.
- Being a part of the Forest Service and government.
- Honesty and integrity.
- Performance and accountability.
- Results.
- Innovation and initiative.

Ministry Service Plan

To ensure sustainability and balance environmental, social and economic benefits, the former Ministry of Forests and Range pursued five goals.

Goal 1: Maximum productivity of forest and range resources.

Goal 2: Well managed forest and range resources.

Goal 3: Coordinated and integrated planning of the use of the forest and range resources.

Goal 4: Vigorous, efficient and world competitive forest and range sector.

Goal 5: Revenue opportunities from forest and range resources.

BC Timber Sales supports the achievement of the Ministry of Forests, Mines and Lands' Service Plan most directly through goals 4 and 5. In addition the principles, goals and objectives set out in our Business Plan incorporate the productivity, management, integrated planning, and efficiency and competitiveness focus of goals 1, 2, and 3.

BC Timber Sales Strategic Plan

In 2008 BC Timber Sales developed a new Strategic Plan that identifies a number of strategic priorities, objectives and strategies to prepare the organization for a range of possible future circumstances. **The strategic priorities are:**

Achieving excellence in delivering the current mandate and core business

- Developing business acumen across the organization.
- Optimizing the use of information management technology.
- Developing innovative and cost effective business processes in support of meeting net revenue goals (cost reduction and value generation), and to facilitate effective utilization of low value timber.

Enhancing and expanding relationships with First Nations

- Developing mutually beneficial business-to-business relationships.
- Developing effective consultation and engagement protocols.

Ensuring Public and Customer Trust in BC Timber Sales Forest Management

- Maintaining forestry and safety certification.
- Growing the future forest.
- Addressing climate change adaptation and mitigation.

Preparing BC Timber Sales for future opportunities and challenges

- Ensuring the BC Timber Sales workforce is prepared for the future.
- Developing an entrepreneurial approach to addressing challenges and opportunities.
- Ensuring the 'regulatory' framework supports future opportunities and challenges.

These strategic priorities inform the Business Plan and references to the Strategic Plan are highlighted throughout the Business Plan. The BC Timber Sales Strategic Plan can be viewed in full at: http://www.for.gov.bc.ca/bcts/about/Strategic_Plan.pdf.

PLAN IN BRIEF

This corporate Business Plan outlines the planned goals, objectives, strategies, outputs and resources for the three years 2010/11 through 2012/13. A Resource Summary provides comparative data for 2009/10 through 2012/13 and a historic resource summary has been added as Appendix 1 providing comparative data for 2003/04 through 2009/10. The plan is dynamic in that it will be updated and revised annually, with a new year added and the oldest year deleted. Accomplishments compared to the plan will be reported publicly in our annual Business Plan Report and Quarterly Performance Reports.

BC Timber Sales has four business goals:

Consistent with safe practices, sound forest management, and maintaining effective relationships BC Timber Sales...

1. **Is a high performing organization with skilled, motivated, and proud people.**
2. **Provides a credible reference point for costs and pricing of timber harvested from public land in British Columbia.**
3. **Provides a reliable supply of timber to the market, through open and competitive auctions - subject to meeting the requirements of cost and price referencing as stated in goal 2.**
4. **Maximizes net revenue for the province - subject to the requirements of cost and price referencing as stated in goal 2 and supplying timber for auction as stated in goal 3.**

We measure our success in achieving our business goals through three key outcome indicators.

1. BC Timber Sales timber volume advertised as a percent of provincial Allowable Annual Cut.
2. Volume of timber sold.
3. Net revenue earned.

BC Timber Sales has 12 objectives and a People Practices Strategic Plan that support the achievement of its principles and goals. To achieve our objectives, a number of key strategies are planned and outlined in the Business Plan. We measure success in achieving our objectives through performance measures for each objective. Our targets for planned revenues, expenses, and outputs are presented in the Resource Summary of the plan.

Summary of Changes from Previous Plan

This version of the plan is abbreviated from previous years. The former Ministry of Forests and Range is in the process of being re-organized. The re-organization has resulted in the creation of two separate Ministries, the Ministry of Natural Resource Operations, and the Ministry of Forests, Mines and Lands. BC Timber Sales is a part of the Ministry of Forest, Mines and Lands.

RESOURCE SUMMARY – 2010/11 TO 2012/13

	2010/11 Plan	2011/12 Plan	2012/13 Plan
Operating Revenues and Expenses ($millions)			
Gross Revenue	**$136.8**	**$153.2**	**$171.5**
Less: Expenses (Capitalized)	**158.5**	**158.1**	**168.4**
Net Revenue/(Loss)	($21.7)	($4.9)	**$3.1**
Cash Operating Budget ($millions)			
Administration & Overhead	$18.7	$18.3	$20.0
Salaries	44.0	43.6	43.7
Planning	3.3	3.4	3.5
Sales	20.5	20.1	20.9
Access	7.6	7.2	7.0
Silviculture	46.4	45.9	45.5
Total Operating Expenditures	**$140.5**	**$138.5**	**$140.6**
Cash Capital Budget ($millions)			
Capital – Non-Road Construction	$0.5	$0.4	$0.4
Capital – Road Construction	$18.9	$18.5	$20.6
Capital – Salaries (Roads)	3.6	3.6	3.6
Capital – Admin. & Overhead (Roads)	2.1	2.1	2.1
Total Capital Expenditures	**$25.1**	**$24.6**	**$26.7**
Less: Deactivation Expenditures	($1.7)	($1.7)	($1.7)
Total Cash Requirements	**$163.9**	**$161.4**	**$165.6**
Timber Volume Outputs (Millions of cubic metres)			
Volume Advertised (Mm^3)	13.3	12.8	13.5
Volume Sold (Mm^3)	11.4	11.7	12.3
Volume Developed (Mm^3)	10.9	10.7	11.6
Volume Scaled (Mm^3)	10.9	11.1	11.8

OVERARCHING PRINCIPLES

STRATEGIC PRIORITIES:

- Achieving Excellence in delivering the Current Mandate and Core Ensuring Public and Customer Trust in BC Timber Sales Forest Management
- Enhancing and Expanding Relationships with First Nations

Objective 1:

STRATEGIC OBJECTIVE:

BC Timber Sales is recognized as a significant contributor to improving safety in the forest sector

Safety, Sound Forest Management, and Effective Relationships

BC Timber Sales firmly believes that safe practices, sound forest management, and effective relationships are overarching principles for our organization and are critical to delivering superior, enduring performance.

Safety

Safe Practices and Worksites

Fatalities and serious injuries have been at an unacceptably high level in the British Columbia forest industry for many years. In responding to this critical situation, BC Timber Sales subscribes to the Health and Safety Accord of the British Columbia Forest Industry, which states that all fatalities and injuries are preventable.

A safe and healthy workplace is integral to the success of BC Timber Sales and the organization is strongly committed to the safety of all individuals affected by its operations – employees, contractors, licensees and the public. BC Timber Sales advocates and promotes increased safety awareness and a culture of safety in all its practices and operations.

The organization is committed to continually improving safety in the forest sector and having safe worksites by demonstrating and promoting safe forest management practices and implementing a systematic approach to safety in all areas.

Key Corporate Strategies:

1. Continue as a member of BC Forest Safety Council, promoting workplace safety in the forest sector.
2. Maintain SAFE Companies certification obtained in 2008, and move to new standard in 2010.
3. Require all parties working on Timber Sale Licences or bidding on contracts to be SAFE certified.
4. Together with other partners – engage and support various safety related initiatives supported by industry through council to ensure BC Timber Sales aspects of the sector parallel safety performance.

OVERARCHING PRINCIPLES

Sound Forest Management

Objective 1:

BC Timber Sales is recognized as demonstrating sound forest management

High-quality forest and environmental management practices are integral to our mandate and the way we conduct business. In providing sustainable forest benefits to British Columbia, BC Timber Sales strives for excellence in forest management by:

STRATEGIC OBJECTIVE:

BC Timber Sales is recognized for excellence in innovative and cost effective sustainable forest management planning and practices

- Continually improving the performance of our forest management activities and practices;
- Setting and reviewing environmental objectives and targets;
- Monitoring and evaluating our forestry operations;
- Taking action to prevent or mitigate undesired environmental impacts associated with our forestry operations; and
- Communicating business activities and policies to program registrants, contractors, staff and the public.

Certification

Certification of forestry activities is a best practice in forest and sustainable resource management, and is important for market access. BC Timber Sales is committed to achieving third-party certification of our forestry operations. We have achieved International Organization for Standardization (ISO 14001) certification of an Environmental Management System in all Business Areas - an achievement that required significant collaboration with licensees, permittees and contractors. We have a corporate strategy for certification under Sustainable Forest Management (SFM) standards and to the end of fiscal year 2010 had achieved SFM certification totaling 92 percent of our operating area. SFM certification provides assurance to the public and customers that timber originates from legal and well-managed sources.

OVERARCHING PRINCIPLES

Measure	2010/11 Target	2011/12 Target	2012/13 Target
Percent of timber volume certified under a SFM system.	95%	100%	100%

Source: Certification Registrars' Audits

Measure: Percent of BC Timber Sales Business Areas with SFM certification, such as Canadian Standards Association, Sustainable Forestry Initiative (SFI), or Forest Stewardship Council. This measure is an indicator of BC Timber Sales' success in demonstrating and being recognized for having sound forest management practices.

Key Corporate Strategies:

1. Maintain ISO 14001 Environmental Management System third-party certification applicable to all Business Areas through a single corporate registration certificate.
2. Implement a provincial-level third-party verified SFM Certification strategy and report annually on our performance.
3. Proactively engage in emerging forest management initiatives such as species at risk recovery and ecosystem based management in cooperation and consultation with other government agencies, industry and stakeholders.
4. Implementation of a SFI single certificate in order to improve integration and streamlining, increase certification consistency, and improve efficiency.

Land Based Investment Strategy

The Land Base Investment Strategy (LBIS) provides strategic guidance for land based investment and aligns the targets and outputs for eligible activiteis on Crown Land with government's goals and objectives. Broadly, through the LBIS, the Ministry of Forests, Mines and Lands supports:

- Maximum productivity of forest resources;
- Well managed forest resources; and
- Co-ordinated and integrated planning of the use of forest resources.

OVERARCHING PRINCIPLES

Key Corporate Strategy:

1. Continue to participate in and deliver activities for the Land Based Investment Program.

Climate Change

BC Timber Sales is committed to taking the initiative today to ensure that we are growing the appropriate forests for the future with respect to both adapting to climate change and meeting society's needs.

Key Corporate Strategies:

1. Engage and collaborate with key climate change initiatives such as the Ministry's Climate Change Action Team, Forest Sector Climate Action Steering Committee, and BC Climate Action Secretariat.
2. Use teams to guide development of BC Timber Sales strategies.
3. Investigate potential climate change management business opportunities such as carbon offset projects.

Effective Relationships

Effectiveness in building and maintaining strong relationships is critical to delivering superior, enduring performance. Opportunities without relationship lack imagination and action without relationship lacks conviction. Operating on the land base BC Timber Sales is inextricably linked to First Nations and our stakeholders such as: clients, customers, the forest industry, and the Ministry of Forests, Mines and Lands for success.

The following objectives and key corporate strategies are in addition to those contained in the BC Timber Sales People Practices Strategic Plan supporting its objective that BC Timber Sales people have the competencies needed to develop, strengthen and maintain strong relationships.

STRATEGIC OBJECTIVES:

- First Nations understand and support the BC Timber Sales mandate
- First Nations generally consider BC Timber Sales to be a desirable business partner.
- Mutually beneficial business arrangements between First Nations and BC Timber Sales are common practice
- Highly effective and efficient administrative processes for information sharing and consultation

OVERARCHING PRINCIPLES

Objective 1:

Mutually beneficial working relationships between BC Timber Sales and First Nations

Consistent with government's goals for New Relationships with First Nations and Aboriginal People, BC Timber Sales recognizes that effective and productive relationships are integral to effectively engaging with First Nations that have aboriginal interests associated with the BC Timber Sales program.

Key Corporate Strategies

1. Work with both provincial level and local First Nations leadership to identify, develop, pilot and implement business partnership opportunities between BC Timber Sales and First Nations.
2. Explore opportunities to meet both First Nations and BC Timber Sales interests on the forest land base.
3. Continue to develop corporate guidance and strategies to assist BC Timber Sales staff in building meaningful relationships with First Nations.

Objective 2:

Effective and efficient administrative processes for information sharing and consultation with First Nations

Key Corporate Strategies:

1. Implement the overarching BC Timber Sales and First Nations engagement strategy.
2. Maintain effective consultation and information sharing approaches and protocols with First Nations.
3. Develop training and awareness to ensure that BC Timber Sales staff have the appropriate skills, expertise and cultural awareness to effectively engage with First Nations.

OVERARCHING PRINCIPLES

Objective 3:

Mutually beneficial working relationships between BC Timber Sales and its stakeholders

Key Corporate Strategies:

1. Continue to pursue legislative and regulatory changes that will enable BC Timber Sales to pursue innovative business opportunities and partnerships in order to increase revenues or reduce costs.
2. BC Timber Sales will continue to pursue opportunities to collaborate with other agencies where efficiencies may be realized and where the activities fall within the constraints of the special account.
3. Renegotiate mutually beneficial service agreements with other parts of the Ministries of Forests, Mines and Lands and Natural Resource Operations.
4. Continue to work in cooperation with the BC Timber Sales Contractors Advisory Committee to continuously improve the effectiveness of contracting practices and relationships.

GOALS, OBJECTIVES, STRATEGIES AND RESULTS

GOAL 1 - HIGH PERFORMING ORGANIZATION

Consistent with safe practices, sound forest management, and effective relationships BC Timber Sales....

Is a high performing organization with skilled, motivated and proud people.

To effectively realize its vision, achieve its mission and goals, deliver superior performance, and make a distinct and lasting impact, BC Timber Sales needs to be a high-performing organization whose employees are skilled, motivated and proud of what they do.

Through its People Practices Working Group, BC Timber Sales has developed its own People Practices Strategic Plan (the Plan) that supports both the Public Service and Ministry of Forests, Mines and Lands Human Resource plans. The purpose of the Plan is to ensure that BC Timber Sales continues to be a high-performing organization with skilled, motivated and proud people.

The Plan applies three lenses to the realization of success – **Versatility, Culture and Endurance**. For each lens, there are areas of focus, each with specific objectives, strategies and activities considered to be of greatest importance at this time. Although currently consistent with the Public Service and Ministry of Forests, Mines and Lands Human Resource plans, efforts will be made this year to increase the alignment and coordination of BC Timber Sales people initiatives with the goals and objectives of these overarching plans.

STRATEGIC PRIORITIES:

- **Achieving Excellence in delivering the Current Mandate and Core Business**
- **Preparing BC Timber Sales for Future Opportunities and Challenge**

HIGH PERFORMING ORGANIZATION

STRATEGIC OBJECTIVES:

- As part of the BC Public Service, BC Timber Sales is an employer of choice
- BC Timber Sales' staff are flexible, adaptable and innovative and have the competencies to successfully operate in an entrepreneurial environment

Versatility

BC Timber Sales and its people continuously learn, innovate and lead themselves through change and complexity. Versatility enables us to succeed in the ever changing and increasingly complex environmental, societal, technological and business surroundings in which we operate.

Culture

BC Timber Sales and its people share a set of common values, practices and attitudes that contribute to their success and make the organization a great place to work. Our culture is based on performance management (recognizing each others' achievements and contributions and being accountable for our performance), being engaged, and practicing workplace wellness.

Endurance

BC Timber Sales consistently delivers exceptional results over a long period of time, beyond any single leader, great idea, or market cycle. When hit by set backs, BC Timber Sales bounces back stronger than ever. The key to the lasting endurance of BC Timber Sales is effective workforce planning, relationships with our internal and external stakeholders and partners, and continuous evaluation and improvement of our people practices.

The Plan can be viewed on the BC Timber Sales website http://www.for.gov.bc.ca/bcts/.

HIGH PERFORMING ORGANIZATION

Objective 1.1:

BC Timber Sales is prepared to meet future challenges and act on future opportunities

Maintaining organizational high performance in times of volatility and change takes continual effort. Environmental, economic, technological, and societal changes are significantly impacting the forest sector. Events such as the Mountain Pine Beetle (MPB) epidemic, industry consolidation, and the new relationship with First Nations are transforming the forest sector. In addition, the continuing economic downturn and re-organization of the natural resource ministries has further influenced BC Timber Sales' operating environment. To continue being a high performing organization providing sustainable benefits from forest resources, BC Timber Sales needs to be positioned and prepared for the challenges and opportunities ahead.

STRATEGIC OBJECTIVE:

BC Timber Sales staff have the business acumen needed to meet current and future challenges

Key Corporate Strategies:

1.1.1 Maintain and continuously improve our system of teams to increase engagement, collaboration and teamwork.

1.1.2 Continue to develop annual Business Area level business (operational) plans to increase the connection between the corporate Business Plan and individual Employee Performance and Development Plans.

1.1.3 Continue to assess and realign, as appropriate, the use of external resources to ensure BC Timber Sales directly employs the core skills necessary to conduct its work and achieve its goals and objectives efficiently and cost-effectively.

1.1.4 Develop and implement a strategy focused on ensuring staff have the business acumen needed to meet current and future challenges.

GOAL 2 - PROVIDING A CREDIBLE REFERENCE POINT

Consistent with safe practices, sound forest management, and effective relationships BC Timber Sales....

Provides a credible reference point for costs and pricing of timber harvested from public land in British Columbia

STRATEGIC PRIORITY:

Achieving Excellence in delivering the Current Mandate and Core Business

This goal is critical to the Ministry of Forests, Mines and Lands achieving its goal of revenue opportunities from forest and range resources by establishing a market based pricing system for Crown timber. BC Timber Sales contributes to this goal by being a credible reference point for costs and pricing of timber harvested from public land in British Columbia. For BC Timber Sales data to be credible, it is important for the volume of market transactions to be at a level sufficient to support the MPS.

Key Outcome Indicator	2010/11 Target	2011/12 Target	2012/13 Target
Volume Auctioned as a percent of provincial AAC	16.9%	16.0%	16.9%

Sources: BC Timber Sales and Pricing Branch

Indicator: BC Timber Sales timber volume auctioned as a percent of provincial Allowable Annual Cut (AAC). This is an indicator of BC Timber Sales' achievement in developing and auctioning (advertising) a sufficient volume of timber to establish credible costs and pricing

PROVIDING A CREDIBLE REFERENCE POINT

BC Timber Sales also tracks the timber volume it auctions as a percent of the total timber volume projected to be harvested each year as an indicator of its success in developing and auctioning a sufficient volume of timber to establish credible costs and pricing within an environment of changing market conditions and demand.

Measure	2010/11 Target	2011/12 Target	2012/13 Target
Auction volume as a percent of projected harvest	26%	24%	24%

Sources: BC Timber Sales and Pricing Branch

STRATEGIC OBJECTIVE:

BC Timber Sales staff has the information management capability to meet current and future challenges

Indicator: BC Timber Sales timber volume auctioned as a percent of provincial harvest volume. This is an indicator that BC Timber Sales is offering through competitive auction a sufficient volume of timber to establish credible costs and pricing within an environment of changing market conditions and demand.

Objective 2.1: BC Timber Sales data is complete, accurate, reliable and verifiable

For BC Timber Sales to be a credible reference point and support sound business decisions, it is critical that our data be complete, accurate, reliable and verifiable. Being a credible reference point involves all data related to carrying out our business, not just cost and pricing data. A key to BC Timber Sales achieving this goal is the quality and integrity of all cost, pricing and resource management data used to achieve business and resource management objectives.

PROVIDING A CREDIBLE REFERENCE POINT

Key Corporate Strategies:

2.1.1 Implement business processes and training to ensure complete, accurate, timely and consistent population of RESOURCES Corporate Mandatory Data Fields by all Business Areas to support cost and financial accounting, and business and performance management requirements.

2.1.2 Implement the BC Timber Sales Cost Accounting System, as a method to allocate all direct and indirect costs to cut blocks.

2.1.3 Continue to work with Pricing Branch within the Ministry of Forests, Mines and Lands to ensure their data needs are met.

Objective 2.2:

Timber sales sold through auction, in total, provide the Ministry of Forests, Mines and Lands with sufficient data to support the MPS.

Measure: There is no single measure that adequately indicates BC Timber Sales success in providing the Ministry of Forests, Mines and Lands with sufficient variables data to support the MPS.

BC Timber Sales regularly reports information in its Quarterly Performance Reports and on its website that, in total, provide a general measure of its success in achieving the above objective.

Key Corporate Strategies:

2.2.1 Continue to monitor and review trends in collaboration with the Pricing Branch of the Ministry of Forests, Mines and Lands, and take appropriate actions to ensure the number of timber sale transactions in each timber attribute group satisfies the needs of the MPS.

2.2.2 Continue to report BC Timber Sales harvest volume auctioned as a percent of Major Licensees' harvest with comparisons by species and grade for the Interior and Coast in our Quarterly Performance Reports and provide detailed data on our website.

PROVIDING A CREDIBLE REFERENCE POINT

Key Corporate Strategies continued:

2.2.3 Develop and modify, as required, Business Area timber sales schedules to ensure the number of timber sale transactions in each timber attribute group for BC Timber Sales as a whole satisfies the needs of the MPS.

2.2.4 Continue to report BC Timber Sales cost data to be used in the determination of the Tenure Obligation Adjustments for Major Licensees as part of the overall MPS.

GOAL 3 - PROVIDING A RELIABLE SUPPLY OF TIMBER

Consistent with safe practices, sound forest management, and effective relationships BC Timber Sales ....

Provides a reliable supply of timber to the market, through open and competitive auctions – subject to meeting the requirements of cost and price referencing as stated in Goal 2.

This goal supports a strong forest economy and competitive forest sector.

STRATEGIC PRIORITY:

Achieving Excellence in delivering the Current Mandate and Core Business

Key Outcome Indicator	2010/11 Target	2011/12 Target	2012/13 Target
Timber Volume Sold (Mm^3)	11.8	11.9	12.6

Data source: BCTS Resources System

Measure: Timber volume sold is an indicator of BC Timber Sales' success in analyzing market conditions and providing a reliable supply of timber to the market that our customers see as economically viable.

Objective 3.1: Develop sufficient timber to optimize timber volume offered.

One key to providing a reliable supply to the market is to optimize the amount of timber available for offer at auction. This means developing sufficient and appropriate volumes of timber inventory to provide Business Areas with the flexibility to react to market conditions within the requirements of Goal 2.

Throughout 2008/09 and 2009/10 BC Timber Sales experienced significant decreases in demand for timber in many areas. The American housing crisis and global recession have lead to all time low prices for lumber and a major down turn in the forest sector. The MPB epidemic has also signifcantly impacted the value of timber in the Interior. As a result, many customers have reduced capacity and their demand for timber. This decrease in demand has resulted in an increased inventory of developed timber reducing the need for BC Timber Sales to develop as much inventory as in previous years in order to maintain the desired flexibility to react to market conditions within the requirements of goal 2 over the period of the Business Plan.

PROVIDING A RELIABLE SUPPLY OF TIMBER

Measure	2010/11 Target	2011/12 Target	2012/13 Target
Timber Volume Developed (Mm^3)	10.9	10.9	11.6

Data Source: BCTS Resources System

Measure: Volume Developed – is the timber volume developed and ready for advertising and auction. This output measure indicates the program's success in developing a sufficient inventory of timber to support providing a reliable supply to the market.

Key Corporate Strategies:

3.1.1 Balance the need for creating developed timber inventory flexibility by developing more timber volume than is required to meet short-term sales targets with the need to minimize inventory to manage cash flows and reduce inventory risk.

3.1.2 Explore opportunities to work cooperatively or in partnership with other stakeholders to increase available timber volume that can be developed for auction by BC Timber Sales.

3.1.3 Continue and expand where appropriate the development and sale of lump sum Timber Sales Licences (TSLs) to increase the economic viability of low value timber to customers.

Objective 3.2:

The volume of timber supplied to the market by BC Timber Sales is reliable, subject to the cost and price referencing requirements of goal 2.

Measure	2010/11 Target	2011/12 Target	2012/13 Target
Percent of timber volume advertised in the quarter planned	90%	90%	90%

Data source: BCTS Admin and Resources Systems

PROVIDING A RELIABLE SUPPLY OF TIMBER

Measure: The percent of total timber volume advertised in the quarter planned as set out in sales plans. This measure indicates BC Timber Sales success in providing a reliable supply of timber to the market by advertising TSLs consistent with its plans.

Key Corporate Strategies:

3.2.1 Maintain a critical focus on provincial and local timber markets and on market needs by increasing our capacity to perform market analysis at a program and Business Area level.

3.2.2 Continue to work to ensure the stability of the BC Timber Sales mandate and operating areas.

3.2.3 Work collaboratively with stakeholders to identify and address opportunities to improve processes and reduce risks to the efficient and effective development and advertising of timber as scheduled.

GOAL 4 - MAXIMIZING NET REVENUE

Consistent with safe practices, sound forest management, and maintaining effective relationships.....

Maximize net revenue for the province – subject to the requirements of cost and price referencing as stated in goal 2 and supplying timber for auction as stated in goal 3.

This goal supports the provincial government and the Ministry of Forests, Mines and Lands as major contributors to the current and future economic health of the Province. In addition, BC Timber Sales operates under a self financing Special Account and must over the long term generate sufficient revenue to finance its cash requirements.

STRATEGIC PRIORITIES:

- Achieving Excellence in delivering the Current Mandate and Core Business
- Enhancing and expanding relationships with First Nations
- Preparing BC Timber Sales for Future Opportunities and Challenges

The last two years brought a global recession, continued low lumber prices, decreasing demand, and continued declining fibre quality in timber harvested from beetle infested areas. These challenges adversely impacted our performance. While there have been some signs of recovery it is expected that recovery in the forest sector will be slow. BC Timber Sales is projecting continued challenges to overall profitability through 2010/11 and into 2012/13.

Last fiscal year BC Timber Sales had a net loss of $55.4 million and is projecting net losses to continue for 2010/11 ($21.4 million) and 2011/12 ($4.9 million) with a recovery to break even by the end of 2011/12. Over the period of the Business Plan, BC Timber Sales will continue to achieve its mandate as set out in goals 2 and 3 to provide a credible reference point for costs and pricing of timber harvested from public land and provide a reliable supply of timber to the market, through open and competitive auctions. Within these constraints BC Timber Sales has been and will continue to explore options and take actions to lower costs, increase revenues, and reduce its cash requirements to emerge from this down turn a more effective and efficient organization.

Key Outcome Indicator	2010/11 Target	2011/12 Target	2012/13 Target
Net revenue (millions)	($21.7)	($4.9)	$3.1

Sources: Harvest Billing System and Corporate Accounting System,

MAXIMIZING NET REVENUE

Indicator: Net revenue is a key outcome indicator of the success of BC Timber Sales in generating value and revenue return for the province. The measure is calculated as gross revenue less capitalized expenses.

Objective 4.1:

Increase efficiency and cost effectiveness to control or reduce costs – subject to the requirements of cost and price referencing as stated in goal 2 and supplying timber for auction as stated in goal 3.

STRATEGIC OBJECTIVE:

BC Timber Sales mitigates net revenue impacts arising from poor markets and declining resource values while still delivering its mandate

Controlling and reducing costs within the requirements of cost and price referencing as stated in goal 2 and supplying timber for auction as stated in goal 3 is a key part of BC Timber Sales' efforts to maximize net revenue. In order to ensure that the organization continues to have sufficient financial resources to deliver on its current mandate and core business BC Timber Sales must control costs and reduce its cash requirements. BC Timber Sales will achieve this objective through innovation, efficient and effective business and contracting practices, inventory management and continuous improvement strategies.

Through the key strategies outlined below BC Timber Sales will continue to work to address or reverse the projected net revenue losses to return to profitability.

Measure	2010/11 Target	2011/12 Target	2012/13 Target
Total costs per cubic metre of timber volume harvested ($/m^3)	$14.54	$14.24	$14.24

Sources: Corporate Accounting System and BCTS Resources System,

Measure: Total costs (capitalized) per cubic metre of volume harvested is a measure of BC Timber Sales' performance in containing costs contributing towards maximizing net revenue (subject to the requirements of cost and price referencing as stated in goal 2 and supplying timber for auction as stated in goal 3). Total costs for a year used are the capitalized expenses incurred.

MAXIMIZING NET REVENUE

Measure	2010/11 Target	2011/12 Target	2012/13 Target
Percent reduction in cash requirements	5%	5%	5%

Source: Corporate Accounting System.

Measure: The percent reduction in cash requirements is a measure of BC Timber Sales' performance in managing cash flow and controlling costs to ensure sufficient cash resources are available for future operations (subject to the requirements of cost and price referencing as stated in goal 2 and supplying timber for auction as stated in goal 3). The measure is the percentage that BC Timber Sales' actual cash requirements used to achieve goals and objectives are less than planned and approved by Treasury Board.

Key Corporate Strategies:

4.1.1 Develop and implement Phase 2 of the BC Timber Sales Financial Mitigation Strategy that addresses further cost reduction, efficiencies and value generation opportunities.

4.1.2 Develop and implement recommendations that result from the BC Timber Sales Organizational Opportunities Assessment that explores options for creating structural efficiencies within BC Timber Sales.

4.1.3 Continue and expand where appropriate the development and sale of Lump Sum and Cruise Based Timber Sales Licences to reduce development costs and revenue risk.

4.1.4 Contribute to government initiatives to reduce overall expenditures by achieving or exceeding government expenditure reduction targets related to administrative activities such as travel and business expenses.

4.1.5 Through the Contract Efficiencies, Business Improvement and other teams continue to explore alternate and innovative methods of delivery and realignment of to increase the efficiency and effectiveness of business processes.

4.1.6 Continuously improve and use our information systems to support effective business processes and decisions.

MAXIMIZING NET REVENUE

Objective 4.2:

Maximize revenue and pursue business opportunities to increase revenues– subject to the requirements of cost and price referencing as stated in goal 2 and supplying timber for auction as stated in goal 3.

Over the next three years revenue is projected to increase, but to remain well below historic levels. Recovery from the global recession is expected to be slow. Over the tree year period, increasing demand will increase the prices paid by licensees for timber. These increased prices combined with increased timber volume being harvested will result in increasing gross revenues for BC Timber Sales. Through the key strategies outlined below, BC Timber Sales will continue to work to enhance the projected revenue trend.

STRATEGIC OBJECTIVES:

- BC Timber Sales mitigates net revenue impacts arising from poor markets and declining resource values while still delivering its mandate
- First Nations generally consider BC Timber Sales to be desirable business partner
- Mutually beneficial business arrangements between First Nations and BC Timber Sales are common place

Measure	2010/11 Projected	2011/12 Target	2012/13 Target
Gross Revenue (Millions)	$136.8	$153.2	$171.5

Source: Corporate Accounting System

Measure: Gross revenue earned by BC Timber Sales is a measure of its performance in maximizing revenues earned and contributing towards maximizing net revenue (subject to the requirements of cost and price referencing as stated in goal 2 and supplying timber for auction as stated in goal 3).

Key Corporate Strategies:

4.2.1 Continue to regularly assess market demand to ensure BC Timber Sales can take advantage of opportunities to generate new or increased revenues.

4.2.2 Perform valuations on all proposed cut blocks prior to development to assess their economic viability to potential bidders and to BC Timber Sales.

4.2.3 Partner with the Land Based Investment Program, which includes Forests for Tomorrow program (FFT), to achieve benefits that will enhance the public interest and maximize the area FFT is able to reforest and the amount of low quality fibre that BC Timber Sales can market.

MAXIMIZING NET REVENUE

Key Corporate Strategies continued:

4.2.4 Regularly perform local market and business analysis on any timber sales offered that receive no bids and integrate that information into future decisions.

4.2.5 Continue to develop Business Area annual sales schedules that:

- Offer timber sales timed to integrate with industry harvest operations throughout the year;
- Have targets established based on market analyses, and
- Endeavour to minimize potential no-bid sales - subject to forest management constraints and the requirements of cost and price referencing as stated in goal 2 and supplying timber for auction as stated in goal 3.

APPENDIX 1: HISTORIC RESOURCE SUMMARY

	2003/04 Actual	2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual
INPUTS							
Operating Revenues and Expenses ($millions)							
Gross Revenue	$185.7	$266.1	$273.7	$273.7	$243.8	$145.9	$117.0
Less: Expenses (Capitalized)	(84.7)	(115.9)	(148.9)	(178.0)	(197.8)	(168.8)	(172.4)
Net Revenue (prior to EOI)	$101.0	$150.2	$124.8	122.4	$46.0	($22.9)	($55.4)
Less Extraordinary Item (note 1)					(115.6)		
Net Revenue (Loss)	$101.0	$150.2	$124.8	$122.4	($66.6)	($22.9)	($55.4)
Annual Cash Expenditures by Activity ($millions)							
Administration & Overhead	$15.2	$18.8	$20.8	$22.9	$28.7	$28.7	$25.4
Salaries	29.6	35.8	38.6	42.1	41.1	41.5	46.3
Planning	-	13.7	8.1	7.3	6.7	5.7	3.3
Sales	23.2	30.4	33.6	27.7	30.3	30.9	22.4
Access	3.8	4.8	6.3	6.2	8.1	9.6	8.8
Silviculture	35.8	39.1	41.9	51.1	60.1	59.8	42.2
Forest Investment Account – LBIP	-	-	-	$2.3	3.0	5.5	1.7
Capital Road Construction	$29.3	$39.6	$51.8	$46.2	42.8	44.5	18.6
Capital IM/IT and Equipment	$0.7	($0.4)	$0.2	$0.4	0.4	0.4	0.4
Less: Deactivation Expenditures						(1.8)	
Total Cash Requirements	$137.6	$181.8	$201.3	$206.2	$221.2	$224.8	$169.1
Amortization	$27.1	$27.6	$29.0	$29.7	$31.1	$32.5	$31.7
TIMBER VOLUME OUTPUTS (millions of cubic metres)							
Volume Advertised (Mm^3)	11.7	11.4	14.6	15.2	14.6	16.3	14.7
Volume Sold (Mm^3)	9.6	9.9	12.6	13.5	11.7	11.4	10.6
Volume Developed (Mm^3)	12.6	15.4	17.7	16.3	14.9	14.2	11.6
Volume Scaled (Mm^3)	7.9	10.0	12.9	13.45	13.2	10.0	11.4
UNIT COSTS ($/m3)							
Total Capitalized Costs/m^3 Harvested	$10.72	$11.59	$11.54	$13.06	$14.98	$16.88	$15.12
Silviculture Costs/m^3 Harvested	$4.56	$3.93	$3.24	$4.20	$4.55	$5.98	$3.70

Note 1: Adjustment for accounting changes made in 2007/08

APPENDIX 2: GLOSSARY

Bid Price – The price per cubic metre of timber bid by customers during auctions of Section 20 Timber Sale Licences.

Billed Rate – The average revenue obtained per cubic metre of timber harvested and scaled.

Capitalized Expenses – The total costs associated with developing and selling the timber harvested in the year, post-sale activities such as harvest conformance; post-harvest activities such as silviculture; and period costs such as administrative overhead and road maintenance.

Cash Expenditures – The costs of developing and selling timber inventory for future harvest plus, post-harvest activities such as silviculture, and period costs such as administrative overhead and road maintenance.

Certification – Forest certification is a voluntary tool available to forestry organizations who want to demonstrate corporate responsibility by having their forest management planning and practices independently certified against a sustainable forest management standard that goes beyond regulatory requirements and takes environmental, economic and social values into consideration.

Cruise Based Timber Sale - A competitively auctioned timber sale where the price is a single total price based on the cruise data for the timber sale rather than a price per cubic metre of timber scaled.

Customers – Individuals and/or companies that are registered in the program and others that are not registrants, but rely on BC Timber Sales' timber as an input to production.

Full-time Equivalent (FTE) – The equivalent of one person working 1,827 hours in one year.

Goals – Goals are the ends that BC Timber Sales wants to achieve in fulfilling its mandate and mission. Goals are long-range outcomes that guide an organization's efforts in moving towards a desired future state.

Gross Revenue – The sum of all BC Timber Sales revenue collected from stumpage and annual fees and billings (annual

rent, trespass charges, scaling fees and registration fees) incidental to the operation of the program and sale of logs.

Inputs – The resources used by the organization to produce its outputs. The key inputs of BC Timber Sales are its employees, public forests, and the organization's financial, contracted and partnership resources.

Key Outcome Indicators – Key outcome indicators represent key results related to an organization's goals, which often are not directly attributable to its business activities.

Lump Sum Timber Sale Licence – A competitively auctioned timber sale where the price is a single total price rather than a price per cubic metre of timber scaled.

Market Pricing System – The system used in British Columbia to determine the price of Crown timber for major forest tenures, based on market value and cost data from BC Timber Sales.

Mission – Describes the reason for BC Timber Sales' existence. It defines what BC Timber Sales does, why it does it and for whom.

Net Revenue – The remainder of Gross Revenues less Capitalized Expenses.

Objective – A broad time-phased accomplishment required to realize the successful completion of a strategic goal. Objectives are specific statements about desired business results.

Outcomes – Long-term results of the activities and outputs of the organization. Logic models are used to link outcomes to business activities.

Outputs – The deliverables or products produced by the organization. The key outputs of BC Timber Sales are the volumes developed, offered, sold and harvested (scaled).

Performance Measures – Measurable factors of significant importance to the organization in achieving the strategic goals and objectives. A performance measure is a quantified, time specific measure used to indicate the degree of success the Ministry has in achieving its goals, objectives and strategies.

Strategies – The activities that, by their implementation, will lead to the achievement of an objective.

Targets – Performance targets express pre-set quantifiable performance levels to be attained at a future date.

Upset Price – The starting price for auction bidding on timber sales.

Values – An expression of BC Timber Sales' core principles and fundamental beliefs that inform the organization's management style, organizational principles and rules of personal and organizational behaviour.

Vision – A clear, concise and compelling picture of the organization's preferred future.

Volume Advertised – The timber volume advertised for auction by BC Timber Sales.

Volume Developed – The volume of timber developed as inventory for sale by BC Timber Sales.

Volume Managed – The total volume of timber being managed by BC Timber Sales. In addition to Section 20 Auction Timber Sale Licences, this includes volumes associated with legacy tenure types awarded by the Small Business Forest Enterprise Program that are still being managed by BC Timber Sales (e.g. Section 21 Bid Proposal Sales and Non-replaceable Forest Licences).

Volume Offered – The timber volume offered for sale to customers.

Volume Scaled – The volume of timber harvested by BC Timber Sales licensees.

Volume Sold – The volume of timber sold to BC Timber Sales' customers.